
Program Memorandum Intermediaries/Carriers

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal AB-02-136

Date: OCTOBER 11, 2002

CHANGE REQUEST 2371

SUBJECT: Reasonable Charge Update for 2003 for Splints, Casts, Dialysis Supplies, Dialysis Equipment, Therapeutic Shoes, and Certain Intraocular Lenses

Scope

This Program Memorandum (PM) provides specific instructions regarding the calculation of reasonable charges for payment of claims for splints, casts, dialysis supplies, dialysis equipment, therapeutic shoes, and intraocular lenses furnished in calendar year 2003. Instructions regarding payment for ambulance and laboratory services still subject to reasonable charges will be provided under separate cover.

Background

Payment continues to be made on a reasonable charge basis for splints, casts, dialysis supplies, dialysis equipment, therapeutic shoes, and intraocular lenses. For intraocular lenses, payment is only made on a reasonable charge basis for lenses implanted in a physician's office. With the exception of those items identified in the gap-filling section below, carriers must compute 2003 customary and prevailing charges for the items identified below using actual charge data from July 1, 2001, through June 30, 2002. All of the codes below are subject to the inflation-indexed charge (IIC); however, carriers must not compute 2003 IIC screens for items paid using gap-filled payment amounts in 2002. Carriers must compute the 2003 IIC screen in accordance with section 5025 of the Medicare Carriers Manual. The inflation increase for 2003 is 1.1 percent.

The following are the codes subject to the reasonable charge update:

Splints and Casts Used to Reduce a Fracture or Dislocation (Local Carrier Jurisdiction)

A4565 Q4001 Q4002 Q4003 Q4004 Q4005 Q4006 Q4007 Q4008 Q4009 Q4010 Q4011
Q4012 Q4013 Q4014 Q4015 Q4016 Q4017 Q4018 Q4019 Q4020 Q4021 Q4022 Q4023
Q4024 Q4025 Q4026 Q4027 Q4028 Q4029 Q4030 Q4031 Q4032 Q4033 Q4034 Q4035
Q4036 Q4037 Q4038 Q4039 Q4040 Q4041 Q4042 Q4043 Q4044 Q4045 Q4046 Q4047
Q4048 Q4049

Dialysis Supplies (DMERC Jurisdiction)

A4651 A4652 A4653 A4656 A4657 A4660 A4663 A4670 A4680 A4690 A4706 A4707
A4708 A4709 A4712 A4714 A4719 A4720 A4721 A4722 A4723 A4724 A4725 A4726
A4730 A4736 A4737 A4740 A4750 A4755 A4760 A4765 A4766 A4770 A4771 A4772
A4773 A4774 A4802 A4860 A4870 A4890 A4911 A4918 A4927 A4928 A4929 A4930
A4931

Dialysis Equipment (DMERC Jurisdiction)

E1500 E1510 E1520 E1530 E1540 E1550 E1560 E1570 E1575 E1580 E1590 E1592 E1594
E1600 E1610 E1615 E1620 E1625 E1630 E1632 E1635 E1636 E1637 E1639

Therapeutic Shoes (DMERC Jurisdiction)

A5500 A5501 A5503 A5504 A5505 A5506 A5509 A5510 A5511

Intraocular Lenses Implanted in a Physician's Office (Local Carrier Jurisdiction)

V2630 V2631 V2632

AX Modifier

A new modifier (AX) has been added to the HCPCS to identify supplies and equipment furnished in conjunction with dialysis services. Suppliers must attach this modifier to HCPCS codes for items that are furnished as dialysis supplies or equipment, but are not specifically identified as dialysis supplies or equipment in the HCPCS code descriptor. Effective January 1, 2003, the descriptors for codes A4656, A4657, A4660, A4663, A4670, A4712, A4927, A4928, E1637 and E1639 will no longer contain the words "for dialysis" so that these codes can also be used when these items are used for purposes other than dialysis. Therefore, suppliers must attach the AX modifier to these codes when they are used to bill for dialysis supplies or equipment. The AX modifier is effective for items furnished on or after January 1, 2003; however, carriers should allow a 3-month grace period ending on March 31, 2003, to ensure an adequate amount of time for educating suppliers on the use of this modifier. The DMERCs must identify the codes that must be submitted with the AX modifier and should furnish this list to suppliers. The list must include, but is not limited to, the following codes:

A4651 A4652 A4656 A4657 A4660 A4663 A4670 A4712 A4927 A4928 A4930 A4931
E1632 E1637 E1639

Gap-filling

For 2001 and 2002, the Medicare payment amounts for splints and casts were based on retail price data. For 2002, the Medicare payment amounts for dialysis supplies and equipment were also based on retail price data. These gap-filled payment amounts were established due to the lack of charge data for these codes, many of which were new codes added to the HCPCS in 2001 or 2002. To the extent that charge data is now available, reasonable charges must be established for 2003 for these items. With the exception of the codes for dialysis supplies or new codes added in 2002 or 2003, these calculations must be made using actual charge data from July 1, 2001, through June 30, 2002. The reasonable charge calculations for the dialysis supply codes and new codes added in 2002 must be made using actual charge data from January 1, 2002, through June 30, 2002. All valid charge data must be included in the reasonable charge calculations for the dialysis supply and equipment codes that show an allowed charge of zero. This will ensure that valid charge data from claims that were not reimbursed as a result of the monthly dialysis payment cap are included in the reasonable charge calculations.

In those cases where charge data is not available for calculating a customary charge for a supplier or physician, carriers must gap-fill the customary charge for that supplier or physician using the 50th percentile of customary charges for the item. In those cases where charge data is not available for calculating a prevailing charge for the locality, carriers must gap-fill the prevailing charge for that locality using the prevailing charge for a neighboring locality. If no charge data exists at all for an item, then carriers must gap-fill the payment amounts for 2003 using the gap-filled payment amounts for 2002, increased by 1.1 percent.

The following supply codes are new codes effective January 1, 2003:

A4653 Peritoneal dialysis catheter anchoring device, belt, each
A4930 Gloves, sterile, per pair
A4931 Oral thermometer, reusable, any type, each

The DMERCs must gap-fill 2003 payment amounts for use in paying claims for these items in those cases where they are covered as dialysis supplies.

Implementation

The DMERCs and local carriers must compute 2003 reasonable charges for the HCPCS codes identified above that fall under their jurisdiction. The reasonable charges must be computed using charge data for items furnished from July 1, 2001 through June 30, 2002, except as noted above. The 2003 reasonable charges must be used to pay claims for items furnished from January 1, 2003 through December 31, 2003.

The DMERCs must notify suppliers that, effective for dialysis supplies and equipment furnished on or after January 1, 2003, they must begin billing the AX modifier with the HCPCS codes for general supplies and equipment used for dialysis purposes. A three-month grace period will be allowed in order to ensure that suppliers are informed about this requirement. The DMERCs must furnish suppliers with a list of HCPCS codes that must be billed with the AX modifier for use in identifying dialysis supplies and equipment.

Education

The DMERCs and local carriers must publish this information in their next scheduled bulletins and post it on their Web sites to notify suppliers of these changes.

The *effective date* for this PM is January 1, 2003.

The *implementation date* for this PM is January 1, 2003.

These instructions should be implemented within your current operating budget.

This PM may be discarded after October 1, 2003.

If you have any questions, contact Joel Kaiser at (410) 786-4499.